

BARTON TOWNSHIP
NEWAYGO COUNTY, MICHIGAN
AUDIT REPORT
MARCH 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Barton Township	County Newaygo
Fiscal Year End March 31, 2006	Opinion Date June 14, 2006	Date Audit Report Submitted to State June 22, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

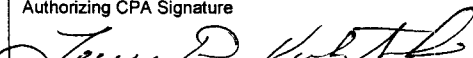
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Terry Kirkpatrick, CPA, P.C.		Telephone Number 231-796-3332	
Street Address 211 Maple Street		City Big Rapids	State MI
		Zip 49307	
Authorizing CPA Signature 		Printed Name Terry Kirkpatrick, CPA, P.C.	License Number 18035

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Independent Auditor's Report

To the Township Board
Barton Township, Newaygo County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Barton Township, Newaygo County, Michigan, as of and for the year ended March 31, 2006, which collectively comprise Barton Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Barton Township, Newaygo County, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Barton Township, Newaygo County, Michigan, as of March 31, 2006, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Barton Township has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis for State and Local Governments*, as of March 31, 2005. However, management has elected not to present the Management's Discussion and Analysis portion of the financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Barton Township, Newaygo County, Michigan basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Terry Kirkpatrick, CPA, P.C.

Big Rapids, Michigan
June 14, 2006

BASIC FINANCIAL STATEMENTS

Barton Township – Newaygo County, Michigan

Government Wide Statement of Net Assets

March 31, 2006

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 182,306
Receivables - Other Governmental Units	17,595
- Delinquent Personal Tax	55
- Current Tax Fund	2,507
Capital Assets (Net)	<u>36,194</u>
Total assets	<u>\$ 238,657</u>
LIABILITIES	
Payroll Tax Payable	\$ 163
NET ASSETS	
Invested in capital assets, net of related debt	36,194
Unrestricted	<u>202,300</u>
Total net assets	<u>238,494</u>
Total liabilities and net assets	<u>\$ 238,657</u>

The "Notes to Financial Statements" are an integral part of these statements.

Barton Township – Newaygo County, Michigan
Government Wide Statement of Activities
For the Year Ended March 31, 2006

	Expenses	Charges for Services	Operating Grants	Governmental Activities Net (Expense) Revenue and Changes in Net Assets
PRIMARY GOVERNMENT				
General Government	\$ 39,488	\$ 0	\$ 0	(39,488)
Public Safety	24,800	1,775	0	(23,025)
Public Works	28,860	44,747	0	15,887
Cultural and Recreation	11,662	17,241	0	5,579
Other Functions	6,851	0	0	(6,851)
Depreciation (unallocated)	566	0	0	(566)
Total primary government	\$ 112,227	\$ 63,763	\$ 0	(48,464)

General Revenues	
Property Tax, levied for general operations	16,553
Licenses and Permits	4,093
National Forest Tax	693
State Grants	60,827
Interest and Rents	4,020
Other Revenue	17,472
Total general revenues	103,658
Change in Net Assets	
Net assets - Beginning of year	55,194
Net assets - End of year	183,300
	\$ 238,494

The "Notes to Financial Statements" are an integral part of these statements.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Barton Township – Newaygo County, Michigan
 Governmental Fund Balance Sheet
 March 31, 2006

	General Fund	Road Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 142,453	\$ 39,853	\$ 182,306
Delinquent Personal Tax Receivable	17	38	55
Due from State of Michigan	9,658	0	9,658
Due from Newaygo County	2,388	5,549	7,937
Due from Current Tax Fund	2,507	0	2,507
Total assets	\$ 157,023	\$ 45,440	\$ 202,463
LIABILITIES AND FUND EQUITY			
Payroll Tax Payable	\$ 163	\$ 0	\$ 163
Fund Balance - Unreserved and Undesignated	156,860	45,440	202,300
Total liabilities and fund equity	\$ 157,023	\$ 45,440	\$ 202,463
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets			
Total Governmental Fund Balances			\$ 202,300
Amounts reported for governmental activities in the statement of net assets are different because:			
Cost of capital assets, net of depreciation			36,194
Net assets of governmental activities			\$ 238,494

The "Notes to Financial Statements" are an integral part of these statements.

Barton Township – Newaygo County, Michigan
Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended March 31, 2006

	General Fund	Road Fund	Total Governmental Funds
REVENUES			
Property Tax	\$ 16,553	\$ 44,747	\$ 61,300
Licenses and Permits	4,093	0	4,093
National Forest Tax	0	693	693
State Grants	60,827	0	60,827
Charges for Services	19,016	0	19,016
Interest and Rents	4,020	0	4,020
Other Revenue	17,472	0	17,472
Total revenues	121,981	45,440	167,421
EXPENDITURES			
General Government	39,488	0	39,488
Public Safety	24,800	0	24,800
Public Works	28,860	0	28,860
Cultural and Recreation	17,922	0	17,922
Other Functions	6,851	0	6,851
Total expenditures	117,921	0	117,921
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,060	45,440	49,500
Fund Balance - April 1,	152,800	0	152,800
Fund Balance - March 31,	\$ 156,860	\$ 45,440	\$ 202,300

The "Notes to Financial Statements" are an integral part of these statements.

Barton Township – Newaygo County, Michigan

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2006

Net Change in Fund Balances - Total Government Funds \$ 49,500

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation. This is capital outlay for the year.

6,260

Depreciation expense

(566)

Change in Net Assets of Governmental Activities

\$ 55,194

The "Notes to Financial Statements" are an integrated part of these statements.

Barton Township – Newaygo County, Michigan

Fiduciary Fund
Statement of Net Assets
March 31, 2006

	<u>Agency Fund Type</u>
	<u>Property Tax Collection Fund</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 2,507</u>
LIABILITIES	
Due to General Fund	<u>\$ 2,507</u>

The "Notes to Financial Statements" are an integrated part of these statements.

NOTES TO FINANCIAL STATEMENTS

Barton Township – Newaygo County, Michigan

Notes to Financial Statements
For the Year Ended March 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Barton Township conform to accounting policies generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Barton Township:

Reporting Entity

The Township is governed by an elected, five-member, Board. The accompanying financial statements present the government and its component units; entities for which the government is considered to be financially accountable. Based on the application of the criteria, the Township does not contain any component units.

Government – Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be "available" if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes – Barton Township's property tax is levied on each December 1st on the taxable valuation of property located within Barton Township as of the preceding December 31st.

Barton Township – Newaygo County, Michigan

Notes to Financial Statements - Continued

For the Year Ended March 31, 2006

Although the Barton Township 2005 ad valorem tax is levied and collectible on December 1, 2005, it is Barton Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations.

The 2005 taxable valuation of Barton Township totaled approximately \$16,995,332, on which ad valorem taxes levied consisted of .8398 mills for the Township operating purposes and an additional 2.6331 mills for roads. These amounts are recognized in the respective General and Special Revenue Fund financial statements as Due from Newaygo County and/or as a tax revenue.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted-for in another fund.

The Road Fund is used to record property tax and interest for expenditures for road improvements.

Additionally, the Township reports the following fund types:

The Township reports a Fiduciary Fund (Agency Fund). This fund accounts for taxes and special assessments collected by the Township as an agent for other taxing units. Fiduciary Fund net assets and results of operations are not included in the government-wide financial statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Assets, Liabilities and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st and are considered delinquent on March 1st of the following year, at which time interest and penalties are assessed.

Capital Assets – Capital assets, which include property, plant and equipment assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Building	40 Years
Equipment	10 Years

Barton Township – Newaygo County, Michigan

Notes to Financial Statements - Continued

For the Year Ended March 31, 2006

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental units. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, activity and line items. The legal level of budgetary control adopted by the governing body is the activity level. State law requires the Township have its budget in place by April 1st. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits a township to amend its budgets during the year.

NOTE C – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations, which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township has designated one bank for the deposit of Township Funds. The investment policy adopted by the Township Board in accordance with Public Act 196 of 1997 has authorized investment in bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 182,306

The bank balance of the primary government's deposits is \$193,733, of which \$100,000 is covered by federal depository insurance.

NOTE D – RECEIVABLES

Receivables as of year-end for the government's individual major and non-major funds are as follows:

	<u>General</u>	<u>Road Millage</u>	<u>Total</u>
Due from County	\$ 2,388	\$ 5,549	\$ 7,937
Due from State	9,658	0	9,658
Delinquent Personal Tax	17	38	55

Barton Township – Newaygo County, Michigan

Notes to Financial Statements - Continued

For the Year Ended March 31, 2006

NOTE E – CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 27,000	\$ 0	\$ 0	\$ 27,000
Capital assets being depreciated				
Buildings	15,000	0	0	15,000
Equipment	0	6,260	0	6,260
Less Accumulated depreciation for Capital assets	(11,500)	(566)	(0)	(12,066)
Net capital assets	\$ 30,500	\$ 5,694	\$ 0	\$ 36,194

Depreciation expense was not charged to activities as the Township considers its assets to impact multiple activities and allocation is not practical.

NOTE F– INTERFUND RECEIVABLES and PAYABLES

Receivable Fund	Payable Fund	Amount
General	Agency	\$ 2,507

NOTE G – RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Township has purchased workers' compensation insurance for such claims. Settled claims relating to the workers' compensation insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTAL INFORMATION

Barton Township – Newaygo County, Michigan
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
BEGINNING OF YEAR FUND BALANCE	\$ 152,800	\$ 152,800	\$ 152,800	\$ 0
Resources (inflows)				
Property Tax	14,500	14,500	16,553	2,053
Licenses and Permits	2,600	2,600	4,093	1,493
State Grants	60,000	60,000	60,827	827
Charges for Services	14,345	14,345	19,016	4,671
Interest and Rents	500	500	4,020	3,520
Other Revenue	500	500	17,472	16,972
Amounts Available for Appropriation	245,245	245,245	274,781	29,536
Charges to Appropriations (outflows)				
General Government				
Township board	5,500	5,500	2,562	2,938
Supervisor	5,514	5,514	5,295	219
Elections	1,000	1,000	47	953
Assessor	6,729	6,729	6,328	401
Clerk	7,059	7,059	6,631	428
Board of review	1,500	1,500	967	533
Treasurer	8,271	8,271	7,233	1,038
Townhall	10,000	10,000	7,112	2,888
Cemetery	5,700	5,700	3,313	2,387
Public Safety				
Fire protection	16,000	16,000	16,795	(795)
Planning and zoning	4,500	4,500	5,342	(842)
Building and electrical inspection	2,500	2,500	2,663	(163)
Public Works				
Highways, streets and bridges	60,000	60,000	28,860	31,140
Cultural and Recreation				
Parks	12,845	12,845	17,922	(5,077)
Other Functions				
Insurance and Bonds	4,500	4,500	4,194	306
Social security/ medicare tax	2,000	2,000	2,657	(657)
Total Charges to Appropriations	153,618	153,618	117,921	35,697
Budgetary Fund Balance - March 31,	\$ 91,627	\$ 91,627	\$ 156,860	\$ 65,233

Barton Township – Newaygo County, Michigan
 Budgetary Comparison Schedule
 Road Fund
 For the Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
BEGINNING OF YEAR FUND BALANCE	\$ 0	\$ 0	\$ 0	\$ 0
Resources (inflows)				
Property Tax	44,300	44,300	44,747	447
National Forest Tax	0	0	693	693
Amounts Available for Appropriation	44,300	44,300	45,440	1,140
Charges to Appropriations (outflows)				
Public Works				
Highways, Streets, and Bridges	0	0	0	0
BUDGETARY FUND BALANCE - March 31,	\$ 44,300	\$ 44,300	\$ 45,440	\$ 1,140

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CERTIFIED PUBLIC ACCOUNTANT

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June 14, 2006

Members of the Barton Township Board
Barton Township
Newaygo County, MI

We recently completed our audit of the basic financial statements of Barton Township for the year ended March 31, 2006. During our audit, we had an opportunity to test internal controls and to observe the accounting and financial procedures and many of the general management practices of the Barton Township. Based upon these tests and observations, there are several matters that we specifically want to call to your attention.

ROAD FUND

The Clerk and Treasurer should set up a separate fund for the tax levy collected from the millage voted in by the Township voters for road construction. The tax dollars raised by this levy may only be spent for those purposes described on the election ballot that the voters approved. Therefore, the Township needs to keep track of how these tax dollars are spent.

INVOICE FILING METHOD

We suggest that the Clerk file paid invoices in numerical order by check number used to pay the invoice. Currently, the check "stub" is attached to the invoice being paid. However, these check stubs do not have a check number on them. The Clerk should attach one "copy" of the check to the invoice being paid and then file it by check number.

CASH IN CURRENT TAX FUND

For the past two years the Current Tax Collection bank account has had more than two thousand dollars left in the account. This bank account should be brought down to the minimum allowed by the bank to keep the account open (normally this is \$ 100 or less). Within two weeks after settlement day with the County, the Treasurer should transfer all money out of the tax collection bank account to each entity to which it is owed.

BUDGET AMENDMENTS

Budget amendments are to be made by the Board "prior to" exceeding the budget. The Board approved budget amendments at its board meeting of April 11, 2006, which would have taken care of the budget shortages. However, the fiscal year ended March 31, 2006. In the future, when an expense is going to exceed a budgeted expenditure, the Board should make an amendment of the budget before the expenditure is incurred. Refer to page # 12 in the audit report to see the four areas in which the budget was exceeded.

OTHER MATTERS

We have enjoyed working with your staff. Their competence and assistance were instrumental in our timely completion of the audit.

Two copies of the audit report, the auditing procedures report, and this letter have been mailed to the Michigan Department of Treasury, Local Audit Division.

If you have any questions regarding this letter or the audit, please do not hesitate to contact us.

Terry Kuehl, CPA, P.C.